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SUBJECT: EEB/ODF Director Nutter's Development Meetings with EU

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¶1. (SBU) SUMMARY: On July 7-8, the Director of the Office of Development Finance (ODF) within State's Economic, Energy, and Business Bureau (EEB) held consultations with European Commission and European Union (EU) member states' development officials to discuss U.S.-EU development issues, including a possible U.S.-EU development dialogue. Commission and member state interlocutors expressed enthusiasm for a dialogue, with food security, development and aid effectiveness, climate change, and emerging donors favored by the EU for dialogue topics. END SUMMARY.

BACKGROUND

¶2. (SBU) The Director of State's Office of Development Finance (ODF), Julie Nutter, concluded two days of talks with Commission, Member State and EU Presidency officials July 8. USEU Development Counselor Jonathan Addleton also participated in some of the discussions, which focused on food security, aid effectiveness, emerging donors, opportunities for further U.S.-EU collaboration and cooperation, and establishment of a possible development dialogue between the United States and the EU. Finnish Ambassador to the EU Jan Store hosted a lunch for Nutter, attended by U.S., Swedish and Spanish development counselors and centered on development issues as prioritized by the current and prospective EU Presidencies and by Finland, which strongly favors a dialogue. Nutter and her interlocutors agreed to continue discussions on the dialogue and related issues at various fora in the run-up to the annual U.S.-EU Summit, currently foreseen for early November, as development is expected to be on the agenda.

MANY DEVELOPMENT THEMES TO DISCUSS

¶3. (SBU) Throughout her discussions, Nutter emphasized the plethora of policy issues that provide opportunities for cooperation and could support a policy dialogue, including the role of emerging donors, the use of the Millennium Development Goals (MDGs), public-private partnerships, innovative financing, and the role of diasporas in development. She stressed the importance of discussing obstacles to collaboration with a view toward "cooperating as far as we can." She noted President Obama and Secretary Clinton are making Africa a priority, especially in regard to food security. Nutter added that EU President Barroso's chief of staff Joao Vale de Almeida, in a conversation early July with State Deputy Secretary Lew, emphasized the Commission's "continued focus on food security."

She underlined that, given the context of the financial crisis and pressures on assistance budgets, the world's two largest donors could not afford to be duplicative and inefficient. Nutter also repeatedly pointed to the role of the Millennium Challenge Corporation (MCC) as an important model for highlighting the role of development partners in determining development priorities and in creating the policy environments necessary for development programs to work. Addleton urged continued consultation with the field and emphasized its importance in informing any dialogue.

COMMISSION: NEVER WASTE A GOOD CRISIS

14. (SBU) In Nutter's meetings with DG Development officials, policy coherence, the use of governance in programs and policy, and aid effectiveness were recurring themes. Elena Peresso, an advisor to the EU Commissioner for Development, pointed to a Commission study that put the cost of lost efficiencies to the EU between 2005-2008 at 5-7 billion Euros. She said this alarming figure demonstrated the importance of policy coherence at a time when strained resources required cooperation and collaboration in the field, and added that the financial crisis has made the EU "more creative", quoting now former Commissioner for Development Louis Michel, who said "never waste a good crisis". Peresso said the next three EU presidencies--Sweden, Spain, and Belgium--were "like-minded and pragmatic," "have their hearts in development" and would likely support a dialogue. She said a letter written by World Bank President Robert Zoellick to the leaders of the G-8 ahead of the L'Aquila summit urging leaders to "direct their attention to the world's poor" contained a number of opportunities that represent "similar objectives" and could also inform a dialogue.

15. (SBU) Peter McQuaide, Head of Unit, Relations with International Organizations in DG Development, noted that transitions on both sides of the Atlantic made but necessary." In redaction that obstacles to 028
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be on the table, McQuaide agreed, noting that "if we're going to have a more productive relationship, we will need to have difficult conversations." On emerging donors, McQuaide said the EU had "made some progress" with Brazil on tropical agricultural productivity. He added that Mexico was working in three countries in Africa and that Russia was reemerging as a donor in Africa as well.

16. (SBU) Maciej Popowski, Director of EU Development Policy, outlined Commission thoughts on a development dialogue, which he said represented a necessary "thematic platform" for senior development policy makers. He said the Commission would hold an internal discussion in late July before the summer break and would work with the member states on the concept. Popowski agreed that a series of joint EU-U.S. missions to Africa would be a good first step in demonstrating the utility of a dialogue and might help push the discussion to a political level. He suggested that European Development Days in October represent an opportunity for policy makers to explore this further and expressed his hope that a USAID Administrator would be in place by that time. Popowski also cited two future studies which could inform the dialogue: an EU piece to be released next May or June on what to do beyond the MDGs in 2016, and the other an OECD Working Party on Aid Effectiveness evaluating same, also coming out next year.

17. (SBU) The European Aid Cooperation Office (AIDCO) Director of Operations Francesca Mosca, and Head of Unit Jose Leandro gave Nutter background on AIDCO's role, which Mosca said was to coordinate overlapping development programs and responsibilities among various mechanisms and ministries. She said issue coherence "was a challenge", but noted there was "more flexibility in the field at an implementation level" and said a dialogue would be useful at both. She said her office was currently developing key indicators on outcome and impact of development support. On budget support, Mosca noted a European Parliament study that suggested direct budget support saved transaction costs for recipients, but not for donor countries. Leandro emphasized Commission policy on governance as an objective of poverty reduction in the MDGs, but not

an objective in and of itself, and suggested this as a possible dialogue discussion point.

MEMBER STATE ENTHUSIASM

18. (SBU) In a demonstration of the importance Finland attaches to a dialogue, Riitta Oksanen, Head of Unit for Development Policy in the Finnish Ministry of Foreign Affairs traveled to Brussels to meet with Nutter. Oksanen said "the potential is there for a dialogue; we should definitely give it a try." She agreed with the proposed focus on food security, regional integration, and aid effectiveness and said the Finnish Government's White Paper on development policy "comes from the Foreign Minister himself" and touches on those issues as well as all three pillars of development: economic, social, and ecological. The White Paper recommends a more comprehensive approach to private sector roles in development, which Oksanen said had been "neglected" by policy makers. She said recommendations included more funding in the field, new mechanisms to support the private sector, and an emphasis on trade, with aid for trade a priority. Oksanen emphasized "the conversation should be more about development effectiveness rather than aid effectiveness." She and Nutter agreed that a number of upcoming development related events, such as the United Nations General Assembly (UNGA), the G20 Summit in Pittsburgh September 24-25, and October 2009 Bank/Fund meetings represented opportunities for further discussion and refinement of possible dialogue topics.

19. (SBU) On July 8, the Finnish Ambassador to the EU, Jan Store, hosted a lunch for Nutter attended by Finnish, Swedish and Spanish development permanent representatives. Stressing the utility of a dialogue, Store said, "We have not made the best use of what we can do together", and posited that in order to improve, dialogue had to take place at three levels: the senior level, the working level in capitals (cooperation), and in the field (coordination). Ambassador Store also stressed the need for internal EU coordination and said Finnish development officials noted a number of occasions in which member states "did not exchange views and did not cooperate" on development.

110. (SBU) Swedish Development Counselor Marita Olson said Sweden was "very keen and interested" in a dialogue and said the Swedish Presidency would like to take the issue forward during European Development Days October 22-24 in Stockholm. Olson said aid

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effectiveness and food security were priorities for the Swedes these next six months, with governance and emerging donors as sub-topics. She also said her office was interested in remittances, migration, and division of labor, all of which could fall under the umbrella of a dialogue.

111. (SBU) Spanish Development Counselor Felix Fernandez-Shaw outlined his government's development priorities for the Spanish Presidency taking office in January, 2010. Fernandez-Shaw said aid effectiveness, division of labor, and the role of gender in development would drive Spain's aid agenda. He also said Spain would take up the issues of tax evasion and capital flight, which represents three times the level of Overseas Development Assistance (ODA), from a development angle, with developing countries losing significant money and resources. He opined that, with the current change in U.S. attitudes towards development and cooperation, "we are in a stronger position to deliver" an effective development dialogue, and hoped the U.S. and EU would work together to do so.

CHINA

112. (SBU) On China, DG External Relations (RELEX) Head of Unit for China Franz Jessen said that while the Chinese made the "right noises" on Africa, they really weren't engaging. He said the Chinese go "wherever they have specific interests" and their goals were more around securing markets than making a strong commitment to economic development. Jessen said engaging China on development was "difficult" and said Chinese confidee as a global player (and the sixth largest investor in global FDI) suggests that "lecturing does

not work." The way the EU engages, he continued, is by "respectfully reminding them" of obligations to which they and others have ascribed, such as the Paris declaration. Jessen also noted the Taiwanese were very active as well and were engaged in a bit of donor competition with the mainland.

COMMENT

¶13. (SBU) In her Brussels meetings, Nutter heard strong general interest in senior level policy discussions on development from both Commission and member state interlocutors. As the Swedes make development a high priority during their presidency, it is clear that a continued exchange of views with them and the Commission on the substance and format of such discussions could be productive. Continued engagement with member states, such as Finland, and other enthusiastic donors should also be pursued, as it would bring the robust field perspective needed to support and provide value and grist to a high level development dialogue, whatever form it might take.

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